Wheeler Real Estate Investment Trust, Inc.
Form 10-Q
August 14, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-35713

WHEELER REAL ESTATE INVESTMENT TRUST, INC.
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| Maryland | 45-2681082 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| 2529 Virginia Beach Blvd., Suite 200 Virginia Beach. Virginia | 23452 |
| (Address of Principal Executive Offices) | (Zip Code) |

(757) 627-9088
(Registrant's Telephone Number, Including Area Code)
N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ (do not check if a smaller reporting company) | Smaller reporting company | ý |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of August 12, 2014, there were 7,428,208 common shares, $0.01 par value per share, outstanding.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries


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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

| | June 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| ASSETS: | | |
| Investment properties, net | $100,553,283 | $101,772,335 |
| Cash and cash equivalents | 16,243,867 | 1,155,083 |
| Rents and other tenant receivables, net | 1,663,027 | 1,594,864 |
| Deferred costs and other assets, net | 21,692,120 | 20,847,984 |
| Total Assets | $140,152,297 | $125,370,266 |
| LIABILITIES: | | |
| Loans payable | $95,236,145 | $94,562,503 |
| Below market lease intangible, net | 2,610,379 | 2,674,566 |
| Accounts payable, accrued expenses and other liabilities | 3,361,048 | 2,526,388 |
| Total Liabilities | 101,207,572 | 99,763,457 |
| Commitments and contingencies (Note 7) | — | — |
| EQUITY: | | |
| Series A preferred stock (no par value, 4,500 shares authorized, 1,809 shares issued and outstanding, respectively) | 1,458,050 | 1,458,050 |
| Series B convertible preferred stock (no par value, 1,000,000 shares authorized, 828,000 and no shares issued and outstanding, respectively) | 18,738,515 | — |
| Common stock ($0.01 par value, 75,000,000 shares authorized, 7,421,852 and 7,121,000 shares issued and outstanding, respectively | 74,218 | 71,210 |
| Additional paid-in capital | 28,092,906 | 28,169,693 |
| Accumulated deficit | (16,274,152) | (11,298,253) |
| Total Shareholders' Equity | 32,089,537 | 18,400,700 |
| Noncontrolling interests | 6,855,188 | 7,206,109 |
| Total Equity | 38,944,725 | 25,606,809 |
| Total Liabilities and Equity | $140,152,297 | $125,370,266 |

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| REVENUE: | | | | |
| Rental revenues | $2,999,290 | $1,425,462 | $5,948,100 | $2,818,494 |
| Other revenues | 634,404 | 203,518 | 1,349,746 | 428,402 |
| Total Revenue | 3,633,694 | 1,628,980 | 7,297,846 | 3,246,896 |
| OPERATING EXPENSES: | | | | |
| Property operations | 909,037 | 284,868 | 1,832,219 | 585,570 |
| Depreciation and amortization | 1,735,944 | 684,554 | 3,521,546 | 1,332,686 |
| Provision for credit losses | (28,032) | 22,903 | (28,032) | 37,903 |
| Corporate general & administrative | 1,385,549 | 1,572,775 | 2,217,867 | 2,156,567 |
| Total Operating Expenses | 4,002,498 | 2,565,100 | 7,543,600 | 4,112,726 |
| Operating Loss | (368,804) | (936,120) | (245,754) | (865,830) |
| Interest expense | (1,536,637) | (446,087) | (2,905,575) | (995,715) |
| Net Loss | (1,905,441) | (1,382,207) | (3,151,329) | (1,861,545) |
| Less: Net loss attributable to noncontrolling interests | (81,451) | (111,248) | (168,703) | (156,904) |
| Net Loss Attributable to Wheeler REIT | (1,823,990) | (1,270,959) | (2,982,626) | (1,704,641) |
| Preferred stock dividends | (423,555) | (22,500) | (464,258) | (22,500) |
| Net Loss Attributable to Wheeler REIT Common Shareholders | $(2,247,545) | $(1,293,459) | $(3,446,884) | $(1,727,141) |
| Loss per share: | | | | |
| Basic and Diluted | $(0.31) | $(0.39) | $(0.47) | $(0.52) |
| Weighted-average number of shares: | | | | |
| Basic and Diluted | 7,329,788 | 3,301,502 | 7,258,068 | 3,301,502 |

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statement of Equity
(Unaudited)

| | Series A Preferred Stock | | Series B Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Shareholders' Equity | Non Inte |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Value | Shares | Value | Shares | Value | | | | Uni |
| Balance, December 31, 2013 | 1,809 | $1,458,050 | — | — | 7,121,000 | $71,210 | $28,169,693 | $(11,298,253) | $18,400,700 | 2,0 |
| Proceeds from issuance of Series B preferred stock | — | — | 828,000 | 18,671,378 | — | — | — | — | 18,671,378 | — |
| Accretion of Series B preferred stock discount | — | — | — | 67,137 | — | — | — | — | 67,137 | — |
| Conversion of Operating Partnership units to common stock | — | — | — | — | 269,401 | 2,694 | 1,252,332 | — | 1,255,026 | (26 |
| Issuance of common stock under Share Incentive Plan | — | — | — | — | 31,451 | 314 | 144,686 | — | 145,000 | — |
| Noncontrolling interest investments | — | — | — | — | — | — | — | — | — | 791 |
| Adjustment for noncontrolling interest in operating partnership | — | — | — | — | — | — | (1,473,805) | — | (1,473,805) | — |
| Dividends and distributions | — | — | — | — | — | — | — | (1,993,273) | (1,993,273) | — |
| Net loss | — | — | — | — | — | — | — | (2,982,626) | (2,982,626) | — |
| Balance, June 30, 2014 (Unaudited) | 1,809 | $1,458,050 | 828,000 | $18,738,515 | 7,421,852 | $74,218 | $28,092,906 | $(16,274,152) | $32,089,537 | 1,8 |

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(3,151,329) | $(1,861,545) |
| Adjustments to reconcile consolidated net loss to net cash from operating activities | | |
| Depreciation | 1,414,581 | 668,342 |
| Amortization | 2,106,965 | 664,344 |
| Other noncash adjustments | 228,844 | 27,902 |
| Share-based compensation | 145,000 | — |
| Provision for credit losses | (28,032) | 37,903 |
| Changes in assets and liabilities | | |
| Rent and other tenant receivables, net | (100,709) | (127,712) |
| Unbilled rent | 138,109 | 32,922 |
| Deferred costs and other assets, net | (2,869,471) | (1,486,622) |
| Accounts payable, accrued expenses and other liabilities | 493,223 | 734,739 |
| Net cash from operating activities | (1,622,819) | (1,309,727) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment property acquisitions | — | (4,024,900) |
| Capital expenditures | (187,507) | (241,685) |
| Net cash from investing activities | (187,507) | (4,266,585) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividends and distributions paid | (2,012,149) | (997,659) |
| Proceeds from sales of preferred stock | 18,671,378 | 4,157,000 |
| Net payments to related parties | (476,531) | (208,929) |
| Loan proceeds | 2,160,000 | 12,375,481 |
| Loan principal payments | (1,443,588) | (10,936,918) |
| Net cash from financing activities | 16,899,110 | 4,388,975 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 15,088,784 | (1,187,337) |
| CASH AND CASH EQUIVALENTS, beginning of period | 1,155,083 | 2,053,192 |
| CASH AND CASH EQUIVALENTS, end of period | $16,243,867 | $865,855 |
| Supplemental Disclosures: | | |
| Other Cash Transactions: | | |
| Cash paid for interest | $2,802,810 | $968,912 |

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation and Consolidation

Wheeler Real Estate Investment Trust, Inc. (the "Trust" or "REIT") is a Maryland corporation formed on June 23, 2011. The Trust serves as the general partner of Wheeler Real Estate Investment Trust, L.P. (the "Operating Partnership") which was formed as a Virginia limited partnership on April 5, 2012. As of June 30, 2014, the Trust, through the Operating Partnership, owned and operated twenty-three properties in Virginia, North Carolina, South Carolina, Georgia, Florida, Oklahoma, Tennessee and New Jersey. Accordingly, the use of the word "Company" refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires.

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (the "Form 10-Q") are unaudited. However, amounts presented in the condensed consolidated balance sheet as of December 31, 2013 are derived from the Company's audited consolidated and combined financial statements as of that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. The Company prepared the accompanying condensed consolidated financial statements in accordance with GAAP for interim financial statements. All material balances and transactions between the consolidated entities of the Company have been eliminated. You should read these condensed consolidated financial statements in conjunction with our 2013 Annual Report filed on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K").

2. Summary of Significant Accounting Policies

Rents and Other Tenant Receivables, net

Tenant receivables include base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. The Company determines an allowance for the uncollectible portion of accrued rents and accounts receivable based upon customer credit-worthiness (including expected recovery of a claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends. The Company considers a receivable past due once it becomes delinquent per the terms of the lease. The Company's standard lease form considers a rent charge past due after five days. A past due receivable triggers certain events such as notices, fees and other allowable and required actions per the lease. As of June 30, 2014 and December 31, 2013, the Company's allowance for uncollectible accounts totaled $154,046 and $182,078, respectively. During the three and six months ended June 30, 2014, the Company reduced its allowance by $28,032 due to improved credit-worthiness of certain tenants and the collection of previously past due amounts. During the three and six months ended June 30, 2013, the Company recorded bad debt expenses in the amount of $22,903 and $37,903, respectively, related to tenant receivables that were specifically identified as potentially uncollectible based on an assessment of the tenant's credit-worthiness. During the three and six months ended June 30, 2014 and 2013, the Company did not realize any recoveries related to tenant receivables previously written off.

Deferred Costs and Other Assets, net

The Company's deferred costs and other assets consist primarily of internal and external leasing commissions, fees incurred in order to obtain long-term financing, leases in place intangible assets, legal and marketing costs and tenant relationship intangible assets associated with acquisitions, and various property escrow accounts for real estate taxes, insurance, tenant improvements and replacements. The Company records amortization of financing costs using the effective interest method over the terms of the respective loans or agreements. The Company's lease origination costs consist primarily of commissions paid in connection with lease originations and renewals. The Company records amortization of lease origination costs on a straight-line basis over the terms of the related leases. The Company's leases in place intangible asset relates to values assigned leases associated with acquired properties. Leases in place are amortized over the term of the respective leases, while legal and marketing and tenant relationship intangible assets are amortized over their estimated useful lives. Acquisition deposits and escrows relate to advance funding of acquisitions to be completed.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

Details of these deferred costs, net of amortization, and other assets are as follows:

| | June 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Lease origination costs, net | $3,572,474 | $3,720,812 |
| Leases in place, net | 7,537,114 | 8,754,154 |
| Financing costs, net | 2,896,211 | 3,110,904 |
| Property reserves | 2,520,911 | 2,151,755 |
| Acquisition deposits and escrows | 2,865,000 | — |
| Legal and marketing costs, net | 178,714 | 203,819 |
| Tenant relationships | 1,845,630 | 2,372,600 |
| Other | 276,066 | 533,940 |
| Total Deferred Costs and Other Assets, net | $21,692,120 | $20,847,984 |

Amortization of lease origination costs, leases in place and legal and marketing costs represents a component of depreciation and amortization expense. The Company reports amortization of financing costs, amortization of premiums, and accretion of discounts as part of interest expense. Future amortization of lease origination costs, leases in place, financing costs, legal and marketing costs and tenant relationships is as follows:

| For the Periods Ending June 30, | Lease Origination Costs | Leases In Place | Financing Costs | Legal & Marketing Costs | Tenant Relationships |
|---|---|---|---|---|---|
| 2015 | $468,843 | $2,095,665 | $858,133 | $42,607 | $854,050 |
| 2016 | 433,218 | 1,602,167 | 622,776 | 32,423 | 564,634 |
| 2017 | 388,119 | 1,051,543 | 340,568 | 25,966 | 279,621 |
| 2018 | 327,622 | 701,066 | 308,260 | 19,342 | 126,839 |
| 2019 | 242,743 | 322,517 | 205,111 | 14,707 | 10,303 |
| Thereafter | 1,711,929 | 1,764,156 | 561,363 | 43,669 | 10,183 |
| | $3,572,474 | $7,537,114 | $2,896,211 | $178,714 | $1,845,630 |

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code and applicable Treasury regulations relating to REIT qualification. In order to maintain this REIT status, the regulations require the Company to distribute at least 90% of its taxable income to shareholders and meet certain other asset and income tests, as well as other requirements. Thus, the Company made no provision for federal income taxes for the REIT in the accompanying condensed consolidated financial statements. If the Company fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it failed to qualify. If the Company loses its REIT status it could not elect to be taxed as a REIT for five years unless the Company's failure to qualify was due to a reasonable cause and certain other conditions were satisfied.

Use of Estimates

The Company has made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported periods. The Company's actual results could differ from these estimates.

Noncontrolling Interests

Noncontrolling interests is the portion of equity in the Operating Partnership not attributable to the Trust. Accordingly, we have reported noncontrolling interests in equity on the June 30, 2014 unaudited condensed consolidated balance sheet but separate from the Company's shareholders' equity. On the June 30, 2014 unaudited condensed consolidated statements of operations, the subsidiaries are reported at the consolidated amount, including

both the amount attributable to the Company and

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

noncontrolling interests. The unaudited condensed consolidated statement of equity includes beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity.
The noncontrolling interest of the Operating Partnership common unit holders is calculated by multiplying the noncontrolling interest ownership percentage at the balance sheet date by the Operating Partnership's net assets (total assets less total liabilities). The noncontrolling interest percentage is calculated at any point in time by dividing the number of units not owned by the Company by the total number of units outstanding. The noncontrolling interest ownership percentage will change as additional units are issued or as units are exchanged for the Company's Common Stock. In accordance with GAAP, any changes in the value from period to period are charged to additional paid-in capital.
Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles based and provides a five step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. The new standard is effective for the Company in the first quarter of the year ended December 31, 2017 and can be applied either retrospectively to all periods presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. The Company is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.
Reclassifications
Certain reclassifications have been made to prior period amounts to make their presentation comparable with the current period. These reclassifications had no impact on net income.
3. Investment Properties
Investment properties consist of the following:

| | June 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Land | $26,869,840 | $26,828,228 |
| Buildings and improvements | 80,157,722 | 80,003,805 |
| Investment properties at cost | 107,027,562 | 106,832,033 |
| Less accumulated depreciation and amortization | (6,474,279) | (5,059,698) |
| Investment properties, net | $100,553,283 | $101,772,335 |

A significant portion of the Company's land, buildings and improvements serve as collateral for its mortgage loans payable portfolio. Accordingly, restrictions exist as to the encumbered property's transferability, use and other common rights typically associated with property ownership.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

4. Loans Payable

The Company’s loans payable consist of the following:

| Property/Description | Monthly Payment | Interest Rate | | Maturity | June 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|---|---|---|---|
| Shoppes at Eagle Harbor | $24,692 | 4.34 | % | March 2018 | $3,839,802 | $3,905,321 |
| Lumber River Plaza | $18,414 | 5.65 | % | May 2015 | 2,934,581 | 2,973,987 |
| Monarch Bank Building | $9,473 | 4.15 | % | December 2017 | 1,457,284 | 1,483,230 |
| Perimeter Square | $28,089 | 6.38 | % | June 2016 | 4,356,149 | 4,417,812 |
| Riversedge North | $13,556 | 6.00 | % | January 2019 | 1,029,539 | 2,061,790 |
| Walnut Hill Plaza | $25,269 | 6.75 | % | July 2014 | 3,430,592 | 3,464,465 |
| Harps at Harbor Point | $18,122 | 3.99 | % | December 2015 | 3,293,831 | 3,335,628 |
| Twin City Commons | $17,827 | 4.86 | % | January 2023 | 3,304,682 | 3,330,108 |
| Shoppes at TJ Maxx | $33,880 | 3.88 | % | May 2020 | 6,329,491 | 6,409,077 |
| Bixby Commons | Interest only | 2.77 | % | June 2018 | 6,700,000 | 6,700,000 |
| Bank Line of Credit | Interest only | 4.50 | % | May 2015 | 2,000,000 | 2,000,000 |
| Forrest Gallery | $50,973 | 5.40 | % | September 2023 | 9,075,000 | 9,075,000 |
| Jenks Reasors | Interest only | 4.25 | % | September 2016 | 8,550,000 | 8,550,000 |
| Tampa Festival | $50,797 | 5.56 | % | September 2023 | 8,803,488 | 8,859,888 |
| Starbucks/Verizon | $7,405 | 6.50 | % | July 2015 | 596,706 | 621,197 |
| Winslow Plaza | Interest only | 5.22 | % | December 2015 | 5,000,000 | 5,000,000 |
| Senior convertible notes | Interest only | 9.00 | % | December 2018 | 6,000,000 | 6,000,000 |
| Senior non-convertible notes | Interest only | 9.00 | % | December 2015 | 4,000,000 | 4,000,000 |
| Senior non-convertible notes | Interest only | 9.00 | % | January 2016 | 2,160,000 | — |
| South Carolina Food Lions Note | Interest only | 5.25 | % | January 2024 | 12,375,000 | 12,375,000 |
| Total Loans Payable | | | | | $95,236,145 | $94,562,503 |

Non-convertible senior notes

On January 31, 2014, the Company completed a second closing (“Second Closing”) consisting of the private placement of $2,160,000 of non-convertible senior notes and warrants to purchase shares of the Company’s common stock. The non-convertible senior notes have an interest rate of 9.00% per annum (payable monthly) and mature on January 31, 2016. The warrants issued permit the purchase of an aggregate of 227,372 shares of the Company’s common stock, have an exercise price of $4.75 per share, expire on January 31, 2019 and were not exercisable unless the Company obtained shareholder approval for this transaction and the issuance of the common stock underlying the warrants. The Company's shareholders approved the transaction and the issuance of the common stock underlying the warrants at its annual meeting in June 2014.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

4. Loans Payable (continued)
Debt Maturity
The Company's scheduled principal repayments on indebtedness as of June 30, 2014 are as follows:

| | For the Periods Ending June 30, (unaudited) |
|---|---|
| 2015 | $ 9,281,296 |
| 2016 | 19,912,015 |
| 2017 | 9,732,404 |
| 2018 | 11,910,283 |
| 2019 | 7,577,403 |
| Thereafter | 36,822,744 |
| Total principal maturities | $ 95,236,145 |

Financing Activity

On July 2, 2014, the Company entered into a promissory note for $660,000 to refinance the Starbucks/Verizon loan. The new loan matures on July 2, 2019 and requires monthly principal and interest payments of $4,383 based on a 20 year amortization and a 5.00% fixed interest rate.

The Walnut Hill loan matured on April 11, 2014, and was subsequently extended until July 31, 2014. On July 31, 2014, the Company entered into a promissory note for $3,650,000 to refinance the note that matured. The new loan matures on July 30, 2017 and requires monthly principal and interest payments of $24,273 based on a 20 year amortization and a 5.50% fixed interest rate.

5. Rentals under Operating Leases

Future minimum rentals to be received under noncancelable tenant operating leases for each of the next five years and thereafter, excluding CAM and percentage rent based on tenant sales volume, as of June 30, 2014 are as follows:

| | For the Periods Ending June 30, (unaudited) |
|---|---|
| 2015 | $11,494,343 |
| 2016 | 10,340,622 |
| 2017 | 8,726,510 |
| 2018 | 6,798,723 |
| 2019 | 4,342,594 |
| Thereafter | 32,242,229 |
| | $73,945,021 |

6. Equity
Earnings per share
Basic earnings per share for the Company's common shareholders is calculated by dividing income from continuing operations, excluding amounts attributable to preferred stockholders and the net loss attributable to noncontrolling interests, by the Company's weighted-average shares of common stock outstanding during the period. Diluted earnings

per share is computed by dividing the net income attributable to common shareholders, excluding amounts attributable to preferred shareholders and the net loss attributable to noncontrolling interests, by the weighted-average number of common shares including any dilutive shares.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
6. Equity (continued)

As of June 30, 2014, 1,589,458 of the Operating Partnership's common units outstanding to noncontrolling interests are eligible to be converted into shares of common stock on a one-to-one basis. Additionally, 828,000 shares of Series B convertible preferred stock ("Series B Preferred Stock") are eligible to be converted into 4,140,000 shares of the Company's common stock and warrants to purchase 1,642,025 shares of the Company's common stock were outstanding at June 30, 2014. The common units, convertible preferred stock and warrants have been excluded from the Company's diluted earnings per share calculation because their inclusion would be antidilutive.

Dividends

For the three and six months ended June 30, 2014, dividends of $966,487 and $1,933,437, respectively, were made to holders of common shares and common units. For the three and six months ended June 30, 2013, dividends of $361,169 and $902,925, respectively, were made to holders of common shares and common units. On June 18, 2014, the Company declared a $0.035 per share dividend payable on or about July 31, 2014 to shareholders of record as of June 30, 2014. Accordingly, the Company has accrued $322,896 as of June 30, 2014 for this dividend.

For the three and six months ended June 30, 2014, dividends of $423,555 and $464,258, respectively, were made to holder of preferred shares. Dividends on preferred shares are made quarterly. During the three months ended June 30, 2014, the Company declared quarterly dividends of $397,121 to preferred shareholders of record as of June 30, 2014 to be paid on July 15, 2014. Accordingly, the Company has accrued $397,121 as of June 30, 2014 for this dividend.

Series B Preferred Stock Offering

On April 29, 2014, the Company completed its Series B Preferred Stock Offering ("Offering"), in which 144,000 units were issued, consisting of 720,000 shares of Series B Preferred Stock and warrants to purchase 864,000 of the Company's common stock. On May 21, 2014, the Company's underwriters exercised their over-allotment option, in which 21,600 units were issued, consisting of 108,000 additional shares of Series B Preferred Stock, and an additional 129,600 warrants. The Series B Preferred Stock bears interest at a rate of 9% per annum and has a conversion price of $5.00 per share of common stock, which if fully converted would result in the issuance of 4,140,000 shares of the Company's common stock. The Series B Preferred Stock will automatically convert into shares of the Company's common stock if the 20-day volume weighted adjusted closing price of the Company's common stock exceeds $7.25 per share on the NASDAQ Capital Market. Each warrant permits investors to purchase one share of common stock at an exercise price of $5.50 per share, subject to adjustment. Net proceeds from the Offering totaled $18,671,378, which includes the impact of the underwriters' selling concessions and legal, accounting and other professional fees. Proceeds from the Offering will be used for future acquisitions and for general corporate purposes.

On April 24, 2014, in contemplation of the Offering, the Company increased the number of preferred shares authorized from 500,000 to 5,000,000, and authorized 1,000,000 shares of Series B Preferred Stock for the Offering.

Equity Issuances under Share Incentive Plan

In June 2014, the Company issued 31,451 shares to directors, officers and consultants for services rendered to the Company. The market value of these shares at the time of issuance was approximately $145,000. As of June 30, 2014, there are 468,549 shares available for issuance under the Company's Share Incentive Plan.

7. Commitments and Contingencies

The Company is involved in various legal proceedings arising in the ordinary course of its business, including, but not limited to commercial disputes. The Company believes that such litigation, claims and administrative proceedings will not have a material adverse impact on its financial position or its results of operations. The Company records a liability when it considers the loss probable and the amount can be reasonably estimated.

On July 10, 2008, one of the Company's subsidiaries, Perimeter Associates, LLC ("Perimeter"), sued a tenant for breach of contract, guaranty of the contract and fraud related to an executed lease. In response, on August 22, 2008, the defendant filed a counterclaim against Perimeter for breach of contract, unjust enrichment and fraud. On April 8, 2013, the court found in favor of the defendant and assessed damages against Perimeter in the amount of $13,300. On

or about May 8, 2013, Perimeter appealed the judgment of the lower court to the Oklahoma Supreme Court. Subsequent to the initial judgment, the defendant's attorney applied to the court to be reimbursed for approximately $368,000 in legal fees incurred by the defendant during litigation. On July 9, 2013, the lower court awarded the defendant approximately $267,000 of the defendant's legal

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
7. Commitments and Contingencies (continued)

fees. Perimeter expects to amend its appeal with the Oklahoma Supreme Court to include the issue of the award of legal fees. The Company has posted bonds for both judgments and has accrued for the judgments in our financial statements. The Company will continue to vigorously litigate the issues raised upon appeal.

8. Related Party Transactions

Jon S. Wheeler (“Mr. Wheeler”), the Company’s Chairman and Chief Executive Officer, when combined with his affiliates, represents the Company’s largest stockholder.

Wheeler Interests, LLC (“Wheeler Interests”), which is controlled by Mr. Wheeler, leases the Company’s Riversedge property under a 10 year operating lease expiring in November 2017, with four five year renewal options available. The lease currently requires monthly base rent payments of $24,000 and provides for annual increases throughout the term of the lease and subsequent option periods. Additionally, Wheeler Interests reimburses the Company for a portion of the property’s operating expenses and real estate taxes.

The following summarizes related party activity as of and for the six months ended June 30, 2014 and 2013 (unaudited):

| | June 30, 2014 | 2013 |
|---|---|---|
| Amounts paid to Wheeler Interests and its affiliates | $1,939,188 | $640,722 |
| Amounts due to Wheeler Interests and its affiliates | $574,739 | $17,898 |
| Rent and reimbursement income received from Wheeler Interests | $196,459 | $197,487 |
| Rent and other tenant receivables due from Wheeler Interests | $470,245 | $347,542 |

9. Subsequent Events

Cypress Shopping Center Acquisition

On July 1, 2014, the Company completed its acquisition of Cypress Shopping Center, an 80,435 square foot grocery-anchored shopping center located in Boiling Springs, South Carolina (“Cypress”) for a contract price of $8,300,000, paid through a combination of cash and debt. Cypress is currently 94.37% leased and its major tenants include Bi-Lo and Dollar General.

Harrodsburg Marketplace Acquisition

On July 1, 2014, the Company completed its acquisition of Harrodsburg Marketplace, a 60,048 square foot grocery-anchored shopping center located in Harrodsburg, Kentucky ("Harrodsburg") for a contract price of $5,000,000, paid through a combination of cash and debt. Harrodsburg is currently 97% leased and its major tenants include Kroger and Arby's.

Port Crossing Shopping Center Acquisition

On July 3, 2014, the Company completed the acquisition of Port Crossing Shopping Center, a 65,365 square foot grocery-anchored shopping center located in Harrisonburg, Virginia ("Port Crossing") for a contract price of $9,311,400. Port Crossing is 89% leased and is anchored by a Food Lion grocery store. The Company acquired the property from a related party through a combination of cash, the issuance of 157,429 common units in the Operating Partnership and the assumption of outstanding debt.

LaGrange Markeplace Acquisition

On July 25, 2014, the Company completed the acquisition of LaGrange Marketplace, a 76,594 square foot grocery-anchored shopping center located in LaGrange, Georgia ("LaGrange") for a contract price of $3,695,000. LaGrange is 92% leased and is anchored by a Food Depot grocery store. The Company acquired the property from a related party through a combination of cash, the issuance of 105,843 common units in the Operating Partnership and the assumption of outstanding debt.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in this Form 10-Q, along with the consolidated and combined financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Form 10-K for the year ended December 31, 2013. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the unaudited condensed consolidated financial statements included in this Form 10-Q.

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to our shareholders in the future and other matters. These forward-looking statements are not historical facts but are the intent, belief or current expectations of our management based on its knowledge and understanding of our business and industry. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "potential," "predicts," "anticipates," "expects," "intends," "plans," "believes," "estimates" or the negative of such terms and variations of these words and similar expressions, although not all forward-looking statements include these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. You are cautioned not to place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this Form 10-Q. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

The forward-looking statements should be read in light of these factors and the factors identified in the "Risk Factors" sections of our Registration Statement on Form S-11 (as amended) filed with the Securities and Exchange Commission ("SEC") on April 23, 2014.

Executive Overview

The June 30, 2014 three and six month periods include the combined operations of all properties owned at December 31, 2013 as described in our 2013 Form 10-K. Conversely, the June 2013 three and six month periods only include a full period of combined operations for all properties owned at December 31, 2012 as described in our 2012 Annual Report on Form 10-K ("2012 Form 10-K") and a partial month of operations for the Bixby Commons property that was acquired in June 2013. In providing the following discussion and analysis of our results of operations, we have separately identified the activities of properties owned for the entire 2013 annual period (collectively referred to as "same stores") and of those properties acquired during 2013 (collectively referred to as "new stores"). This illustrates the significant impact the properties acquired during 2013 had on our results of operations.

Leasing Activity

Renewals during the first six months of 2014 were comprised of twelve deals totaling 61,937 square feet with a weighted average decrease of $0.22 per square foot. The rates on negotiated renewals resulted in a weighted average increase of $1.02 per square foot on three renewals and a $3.79 per square foot decrease on two renewals. Five of the twelve renewals represented options being exercised.

New lease activity during the first six months of 2014 was comprised of five deals totaling 9,414 square feet with a weighted average rate of $13.15 per square foot. There were no leases that expired during the period that were not renewed by the tenant.

Approximately 5.58% of our gross leasable area is subject to leases that expire during the twelve months ending June 30, 2015 that have not already been renewed. Based on recent market trends, we believe that these leases will be renewed at amounts and terms comparable to existing lease agreements.

Acquisitions

On July 1, 2014, we completed the acquisition of Cypress Shopping Center, an 80,435 square foot grocery-anchored shopping center located in Boiling Springs, South Carolina (“Cypress”) for a contract price of $8,300,000, paid through a combination of cash and debt. Cypress is currently 94.37% leased and its major tenants include Bi-Lo and Dollar General.

On July 1, 2014, we completed the acquisition of Harrodsburg Marketplace, a 60,048 square foot grocery-anchored shopping center located in Harrodsburg, Kentucky ("Harrodsburg") for a contract price of $5,000,000, paid through a combination of cash and debt. Harrodsburg is currently 97% leased and its major tenants include Kroger and Arby's.

On July 3, 2014, we completed the acquisition of Port Crossing Shopping Center, a 65,365 square foot grocery-anchored shopping center located in Harrisonburg, Virginia ("Port Crossing") for a contract price of $9,311,400. Port Crossing is 89% leased and is anchored by a Food Lion grocery store. The Company acquired the property from a related party through a combination of cash, the issuance of 157,429 common units in the Operating Partnership and the assumption of outstanding debt.

On July 25, 2014, we completed the acquisition of LaGrange Marketplace, a 76,594 square foot grocery-anchored shopping center located in LaGrange, Georgia ("LaGrange") for a contract price of $3,695,000. LaGrange is 92% leased and is anchored by a Food Depot grocery store. We acquired the property from a related party through a combination of cash, the issuance of 105,843 common units in the Operating Partnership and the assumption of outstanding debt.

Critical Accounting Policies

In preparing the condensed consolidated financial statements, we have made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results may differ from these estimates. A summary of our critical accounting policies is included in our 2013 Form 10-K under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There have been no significant changes to these policies during the six months ended June 30, 2014. For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 of the condensed consolidated financial statements included in this Form 10-Q.

Three and Six Months Ended June 30, 2014 Compared to the Three and Six Months Ended June 30, 2013

Results of Operations

The following table presents a comparison of the condensed consolidated statements of operations for the three and six months ended June 30, 2014 and 2013, respectively.

| | Three Months Ending June 30, | | Six Months Ending June 30, | | Three Months Ended Changes | | Six Months Ended Changes | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | Change | % Change | Change | % Ch |
| PROPERTY DATA: | | | | | | | | |
| Number of properties owned and operated | 23 | 12 | 23 | 12 | 11 | 91.67 % | 11 | 91.67 |
| Aggregate gross leasable area | 1,294,572 | 545,350 | 1,294,572 | 545,350 | 749,222 | 137.38 % | 749,222 | 137.3 |
| Ending occupancy rate | 94.70 % | 95.10 % | 94.70 % | 95.10 % | (0.40 )% | (0.42 )% | (0.40 )% | (0.42 |
| FINANCIAL DATA: | | | | | | | | |
| Rental revenues | $2,999,290 | $1,425,462 | $5,948,100 | $2,818,494 | $1,573,828 | 110.41 % | $3,129,606 | 111.0 |
| Other revenues | 634,404 | 203,518 | 1,349,746 | 428,402 | 430,886 | 211.72 % | 921,344 | 215.0 |
| Total Revenue | 3,633,694 | 1,628,980 | 7,297,846 | 3,246,896 | 2,004,714 | 123.07 % | 4,050,950 | 124.7 |
| EXPENSES: | | | | | | | | |
| Property operations | 909,037 | 284,868 | 1,832,219 | 585,570 | 624,169 | 219.11 % | 1,246,649 | 212.8 |
| Depreciation and amortization | 1,735,944 | 684,554 | 3,521,546 | 1,332,686 | 1,051,390 | 153.59 % | 2,188,860 | 164.2 |
| Provision for credit losses | (28,032 ) | 22,903 | (28,032 ) | 37,903 | (50,935 ) | (222.39)% | (65,935 ) | (173. |
| Corporate general & administrative | 1,385,549 | 1,572,775 | 2,217,867 | 2,156,567 | (187,226 ) | (11.90 )% | 61,300 | 2.84 |
| Total Operating Expenses | 4,002,498 | 2,565,100 | 7,543,600 | 4,112,726 | 1,437,398 | 56.04 % | 3,430,874 | 83.42 |
| Operating Loss | (368,804 ) | (936,120 ) | (245,754 ) | (865,830 ) | 567,316 | (60.60 )% | 620,076 | (71.6 |
| Interest expense | (1,536,637 ) | (446,087 ) | (2,905,575 ) | (995,715 ) | (1,090,550 ) | 244.47 % | (1,909,860 ) | 191.8 |
| Net Loss | (1,905,441 ) | (1,382,207 ) | (3,151,329 ) | (1,861,545 ) | (523,234 ) | 37.85 % | (1,289,784 ) | 69.29 |
| Net loss attributable to noncontrolling interests | (81,451 ) | (111,248 ) | (168,703 ) | (156,904 ) | 29,797 | (26.78 )% | (11,799 ) | 7.52 |
| | $(1,823,990) | $(1,270,959) | $(2,982,626) | $(1,704,641) | $(553,031 ) | 43.51 % | $(1,277,985) | 74.97 |

Net Loss
Attributable to
Wheeler REIT

Same Store and New Store Operating Income

The following table provides same store and new store financial information. The discussion below primarily focuses on same store results of operations since eleven of our twelve 2013 acquisitions occurred subsequent to June 30, 2013.

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | Same Store | | New Store | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Property revenues | $1,607,974 | $1,586,247 | $2,025,720 | $42,733 | $3,633,694 | $1,628,980 |
| Property expenses | 330,630 | 284,868 | 578,407 | — | 909,037 | 284,868 |
| Property Net Operating Income | 1,277,344 | 1,301,379 | 1,447,313 | 42,733 | 2,724,657 | 1,344,112 |
| Depreciation and amortization | 506,031 | 658,804 | 1,229,913 | 25,750 | 1,735,944 | 684,554 |
| Provision for credit losses | (28,032) | 22,903 | — | — | (28,032) | 22,903 |
| Corporate general & administrative | 1,310,088 | 1,254,426 | 75,461 | 318,349 | 1,385,549 | 1,572,775 |
| Total Other Operating Expenses | 1,788,087 | 1,936,133 | 1,305,374 | 344,099 | 3,093,461 | 2,280,232 |
| Interest expense | 866,888 | 444,006 | 669,749 | 2,081 | 1,536,637 | 446,087 |
| Net Loss | $(1,377,631) | $(1,078,760) | $(527,810) | $(303,447) | $(1,905,441) | $(1,382,207) |

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | Same Store | | New Store | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Property revenues | $3,254,735 | $3,204,163 | $4,043,111 | $42,733 | $7,297,846 | $3,246,896 |
| Property expenses | 673,344 | 585,570 | 1,158,875 | — | 1,832,219 | 585,570 |
| Property Net Operating Income | 2,581,391 | 2,618,593 | 2,884,236 | 42,733 | 5,465,627 | 2,661,326 |
| Depreciation and amortization | 1,019,389 | 1,306,936 | 2,502,157 | 25,750 | 3,521,546 | 1,332,686 |
| Provision for credit losses | (28,032) | 37,903 | — | — | (28,032) | 37,903 |
| Corporate general & administrative | 2,094,592 | 1,838,218 | 123,275 | 318,349 | 2,217,867 | 2,156,567 |
| Total Other Operating Expenses | 3,085,949 | 3,183,057 | 2,625,432 | 344,099 | 5,711,381 | 3,527,156 |
| Interest expense | 1,536,146 | 993,634 | 1,369,429 | 2,081 | 2,905,575 | 995,715 |
| Net Loss | $(2,040,704) | $(1,558,098) | $(1,110,625) | $(303,447) | $(3,151,329) | $(1,861,545) |

Property Revenues

Total same store property revenues for the three and six month periods ended June 30, 2014 were $1.61 million and $3.25 million, compared to $1.59 million and $3.20 million for the three and six month periods ended June 30, 2013. Same store revenues fluctuated primarily due to the amount and timing of prior year tenant reimbursement reconciliation adjustments and contractual rent adjustments.

The three and six month periods ended June 30, 2014 represent full periods of operations reported for the twelve acquisitions made in 2013. These properties contributed $2.03 million and $4.04 million in revenues for the three and six month periods ended June 30, 2014, respectively, compared to $42,733 for the three and six month periods ended June 30, 2013. The June 2013 periods only included a partial month of activity for the Bixby Commons property acquired during June 2013. Going forward we believe these properties will generate a significant amount of revenue for the Company and we will benefit from future contractual rent increases and expansion opportunities.

Property Expenses

Total same store operating expenses for the three and six month periods ended June 30, 2014 were $330,630 and $673,344, respectively, compared to $284,868 and $585,570 for the three and six month periods ended June 30, 2013, respectively. The increase for both periods was primarily due to timing of repairs and maintenance, and increases in snow removal and utility expenses which were caused by the unusually inclement weather experienced in our markets

for the six months ended June 30, 2014 as compared to the 2013 six month period. Total snow removal for all properties was approximately $98,400 during the June 2014 six month period as compared to approximately $11,400 during the June 2013 six month period.

There were no significant unusual or non-recurring items included in new store property expenses for the three and six month periods ended June 30, 2014.

Property Net Operating Income

Total property net operating income was $2.72 million and $5.47 million for the three and six month periods ended June 30, 2014, respectively, compared to $1.34 million and $2.66 million for the three and six month periods ended June 30, 2013, respectively. The June 2014 three and six month period results represent increases of $1.38 million and $2.80 million, respectively, over the comparable June 2013 periods. New stores accounted for the majority of these increases by generating $1.45 million and $2.88 million in property net operating income for the three and six month periods ended June 30, 2014, respectively, compared to $42,733 for the three and six month periods ended June 30, 2013. The increases resulted from a full period of operations for the June 2013 three and six month periods related to the twelve assets acquired during 2013.

Other Operating Expenses

Same store other operating expenses for the three and six month periods ended June 30, 2014 period were $1.79 million and $3.09 million, respectively, representing decreases of $148,046 and $97,108 respectively, over the three and six month periods ended June 30, 2013. These reductions in same stare operating expenses resulted from decreases in depreciation and amortization of $152,773 and $287,547, respectively, for three and six months ended June 30, 2014. The 23.19% and 22.00% decreases in same store depreciation and amortization expense for the three and six month periods ended June 30, 2014, respectively, resulted from more assets becoming fully depreciated and amortized since the June 2013 period.

These decreases were offset by increases in same store general and administrative expenses of $55,662 and $256,374, respectively, for the three and six months ended June 30, 2014. During the six months ended June 30, 2014, we incurred approximately $400,000 of professional fees related to acquisitions and capital transactions. The acquisition expenses were associated with the December 2013 and contemplated acquisitions, primarily related to financial statement audits, appraisals and legal matters. The expenses associated with capital transactions primarily related to the legal fees incurred to register the underlying common shares that would result from common unit redemptions, the conversion of senior debt into common stock and the exercise of outstanding warrants related to senior debt. Additionally, we incurred a significant amount of travel and other costs as a result of the April 2014 Series B Preferred Stock offering. General and administrative expenses for the six months ended June 30, 2014 also include approximately $95,000 of franchise and other state taxes and $145,000 of noncash share-based compensation that were not incurred during the 2013 period.

Interest Expense

Same store interest expense was $866,888 and $1.54 million for the three and six month periods ended June 30, 2014, respectively, which represent increases of $422,882 or 95.24% and $542,512 or 54.60% as compared to $444,006 and $993,634 for the three and six month periods ended June 30, 2013, respectively. The increase primarily resulted from the issuance of $12.16 million in senior convertible and non-convertible notes in December 2013 and January 2014.

Funds from Operations

We use Funds from Operations ("FFO"), a non-GAAP measure, as an alternative measure of our operating performance, specifically as it relates to results of operations and liquidity. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002). As defined by NAREIT, FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. Most industry analysts and equity REITs, including us, consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions and excluding depreciation, FFO is a helpful tool that can assist in the comparison of the operating performance of a company’s real estate between periods, or as compared to different companies. Management uses FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income alone as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time, while historically real estate values have risen or fallen with market conditions. Accordingly, we believe FFO provides a valuable alternative

measurement tool to GAAP when presenting our operating results.

Below is a comparison of same and new store FFO for the three and six month periods ended June 30, 2014 and 2013:

| | Three Months Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Same Stores | | New Stores | | Total | | Period Over Period Changes | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | $ | % |
| Net income (loss) | $(1,377,631) | $(1,078,760) | $(527,810) | $(303,447) | $(1,905,441) | $(1,382,207) | $(523,234) | 37.85 % |
| Depreciation of real estate assets | 506,031 | 658,804 | 1,229,913 | 25,750 | 1,735,944 | 684,554 | 1,051,390 | 153.59 % |
| Total FFO | $(871,600) | $(419,956) | $702,103 | $(277,697) | $(169,497) | $(697,653) | $528,156 | (75.70)% |

| | Six Months Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Same Stores | | New Stores | | Total | | Period Over Period Changes | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | $ | % |
| Net income (loss) | $(2,040,704) | $(1,558,098) | $(1,110,625) | $(303,447) | $(3,151,329) | $(1,861,545) | $(1,289,784) | 69.29 % |
| Depreciation of real estate assets | 1,019,389 | 1,306,936 | 2,502,157 | 25,750 | 3,521,546 | 1,332,686 | 2,188,860 | 164.24 % |
| Total FFO | $(1,021,315) | $(251,162) | $1,391,532 | $(277,697) | $370,217 | $(528,859) | $899,076 | (170.00)% |

During the three and six month periods ended June 30, 2014, same store FFO decreased $451,644 and $770,153, respectively, primarily due to increases of $422,882 and $542,512, respectively, in same store interest expense and $55,662 and $256,374 in corporate general and administrative expenses for the three and six month periods ended June 30, 2014. However, total FFO increased $528,156 and $899,076 for the three and six periods ended June 30, 2014, primarily as a result of the additional FFO generated by the twelve properties acquired during 2013. The increases in interest expense and corporate general and administrative expenses are discussed in the “Other Operating Expenses” section above. Excluding the impact of acquisition and legal related costs and share-based compensation, total core FFO for the three and six month periods ended June 30, 2014 would have been $60,265 and $679,803, respectively, representing a decrease of $403,019 and an increase of $218,260 over the June 2013 three and six month periods, as shown in the table below:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Total FFO | $(169,497) | $(697,653) | $370,217 | $(528,859) |
| Preferred stock dividends | (423,555) | (22,500) | (464,258) | (22,500) |
| Total FFO available to common shareholders and common unitholders | (593,052) | (720,153) | (94,041) | (551,359) |
| Legal and accounting costs for acquisitions | 343,000 | 985,000 | 400,000 | 985,000 |
| Share-based compensation | 145,000 | — | 145,000 | — |
| Other noncash adjustments | 165,317 | 198,437 | 228,844 | 27,902 |
| Total Core FFO | $60,265 | $463,284 | $679,803 | $461,543 |

Liquidity and Capital Resources

At June 30, 2014, our consolidated cash and cash equivalents totaled $16.24 million compared to consolidated cash and cash equivalents of $1.16 million at December 31, 2013. Cash flows from operating activities, investing activities and financing activities for the six month periods ended June 30, 2014 and 2013 were as follows:

| | Six Months Ended June 30, | | Period Over Period Change | |
|---|---|---|---|---|
| | 2014 | 2013 | $ | % |
| Operating activities | $(1,622,819) | $(1,309,727) | $(313,092) | 23.91 % |
| Investing activities | $(187,507) | $(4,266,585) | $4,079,078 | (95.61)% |
| Financing activities | $16,899,110 | $4,388,975 | $12,510,135 | 285.04 % |

Operating Activities

During the six months ended June 30, 2014, our cash flows used by operating activities were $1.62 million, compared to cash flows used in operating activities of $1.31 million during the six months ended June 30, 2013. Operating cash flows were primarily impacted by the $1.29 million increase in our consolidated net loss due to the factors discussed in the Results of Operations section above, specifically the $1.25 million increase in total property operations expenses associated with operating

the REIT and the addition of eleven properties since June 2013. Also impacting operating cash flows was approximately $2.9 million paid in escrows on our four contemplated acquisitions which were completed in July 2014, with the majority of it related to the Cypress Shopping Center acquisition that closed on July 1, 2014, but required the equity funds to be escrowed on June 30, 2014. However, our operating cash flows were positively impacted by the $899,076 increase in FFO for the six months ended June 30, 2014, compared to the same period in 2013, primarily resulting from the additional FFO generated by the twelve properties acquired during 2013.

Investing Activities

During the six months ended June 30, 2014, our cash flows used in investing activities were $187,507, compared to cash flows used in investing activities of $4.27 million during the six months ended June 30, 2013. The 2013 amount includes the cash used to acquire Bixby Commons in June 2013. No acquisitions have been made in the six months ended June 30, 2014.

Financing Activities

During the six months ended June 30, 2014, our cash flows from financing activities were $16.90 million, compared to $4.39 million of cash flows used by financing activities during the six months ended June 30, 2013. During the six months ended June 30, 2014, we received $18.67 million from the completion of our Series B convertible preferred stock offering in April 2014, and $2.16 million of proceeds from the issuance of senior non-convertible notes in January 2014. These proceeds were partially offset by dividends and distributions, which increased to $2.01 million in the six months ended June 30, 2014 from $997,659 during the six months ended June 30, 2013 period as a result of the additional 4,120,350 shares of common stock during the June 2014 period as compared to the June 2013 period. There was no refinancing activity during the six months ended June 30, 2014. Refinancing activity during the six months ended June 30, 2013 included the refinancing of a $3.87 million loan that matured during the period with a new $4.0 million loan. Excluding the net impact of the refinancing transaction, principal payments on mortgage indebtedness increased to approximately $1.44 million during the six months ended June 30, 2014 from $498,000 during the six months ended June 30, 2013, which relates to the $64.7 million increase in debt, primarily from the twelve acquisitions which were made in the remainder of 2013.

As of June 30, 2014 and December 31, 2013, our debt balances consisted of the following:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Fixed-rate notes | $95,236,145 | $94,562,503 |

The weighted average interest rate and term of our fixed-rate debt are 5.39% and 5.03 years, respectively, at June 30, 2014. We have $9.28 million of debt maturing during the twelve months ending June 30, 2015. While we anticipate being able to refinance our maturing loans at reasonable market terms upon maturity, our inability to do so may materially impact our financial position and results of operations. See the financial statements included elsewhere in this Form 10-Q for additional mortgage indebtedness details.

On July 2, 2014, we entered into a promissory note for $660,000 to refinance the Starbucks/Verizon loan. The new loan matures on July 2, 2019 and requires monthly principal and interest payments of $4,383 based on a 20 year amortization and a 5.00% fixed interest rate.

The Walnut Hill loan matured on April 11, 2014, and was subsequently extended until July 31, 2014. On July 31, 2014, we entered into a promissory note for $3,650,000 to refinance the note that matured. The new loan matures on July 30, 2017 and requires monthly principal and interest payments of $24,273 based on a 20 year amortization and a 5.50% fixed interest rate.

Future Liquidity Needs

The $9.28 million in debt maturities, ongoing debt service and the $0.42 per share targeted annual dividend we are currently paying represent the most significant factors outside of normal operating activities impacting cash flow over the next year. Our success in refinancing the debt and executing on our growth strategy will dictate our liquidity needs going forward. If we are unable to execute in these areas, our ability to grow and pay future dividends may be limited without additional capital.

On April 1, 2014, we announced that we had entered into a $25 million secured guidance line credit facility with KeyBank National Association ("KeyBank"). We will be able to utilize this credit facility until December 31, 2015. We expect to use the facility for the acquisition of select grocery-anchored properties located in secondary and tertiary markets throughout the Northeast, Mid-Atlantic, Southeast and Southwest regions of the United States.

In addition to liquidity required to fund debt payments, distributions and acquisitions, we may incur some level of capital expenditures during the year for the existing twenty-three properties that cannot be passed on to our tenants. The majority of these expenditures occur subsequent to acquiring a new property that requires significant improvements to maximize occupancy and lease rates, with an existing property that needs a facelift to improve its marketability or when tenant improvements are required to make a space fit a particular tenant's needs. Significant capital expenditures could also impact our ability to grow and pay future dividends.

Off-Balance Sheet Arrangements

As of June 30, 2014, we were not involved in any significant off-balance sheet arrangements that are likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital resources or capital expenditures.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles based and provides a five step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. The new standard is effective for us in the first quarter of the year ended December 31, 2017 and can be applied either retrospectively to all periods presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. We are currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable for smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The management of the Trust, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to the Trust's management, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of June 30, 2014 (the end of the period covered by this Report).

Changes in Internal Control Over Financial Reporting

None.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our financial position, results of operation or liquidity.

On July 10, 2008, one of our subsidiaries, Perimeter Associates, LLC ("Perimeter"), sued a tenant for breach of contract, guaranty of the contract and fraud related to an executed lease. In response, on August 22, 2008, the defendant filed a counterclaim against Perimeter for breach of contract, unjust enrichment and fraud. On April 8, 2013, the court found

in favor of the defendant and assessed damages against Perimeter in the amount of $13,300. On or about May 8, 2013, Perimeter appealed the judgment of the lower court to the Oklahoma Supreme Court. Subsequent to the initial judgment, the defendant’s attorney applied to the court to be reimbursed for approximately $368,000 in legal fees incurred by the defendant during

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litigation. On July 9, 2013, the lower court awarded the defendant approximately $267,000 of the defendant's legal fees. Perimeter expects to amend its appeal with the Oklahoma Supreme Court to include the issue of the award of legal fees. We have posted bonds for both judgments and have accrued for the judgments in our financial statements. We will continue to vigorously litigate the issues raised upon appeal.

Item 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) On July 3, 2014, in connection with the acquisition of Port Crossing and pursuant to the terms of the Contribution and Subscription Agreement between the Operating Partnership and 42 accredited investors (the "Port Crossing Contributors"), the Operating Partnership exchanged an aggregate of 157,429 of its common units (the "Common Units") worth $744,639 for 15 of the 42 Port Crossing Contributors' membership interests in PCSC Associates, LLC, a Virginia limited liability company. The Common Units issued to the Port Crossing Contributors represents, in the aggregate, 8.0% of the Common Units in the Operating Partnership.

On July 25, 2014, in connection with the acquisition of LaGrange Marketplace and pursuant to the terms of the Contribution and Subscription Agreement between the Operating Partnership and 8 accredited investors (the "LaGrange Contributors"), the Operating Partnership exchanged an aggregate of 105,843 of its Common Units worth $492,170 for the LaGrange Contributors' membership interests in LaGrange Associates, LLC, a Virginia limited liability company. The Common Units issued to the LaGrange Contributors represents, in the aggregate, 5.1% of the Common Units in the Operating Partnership.

The Common Units are redeemable for cash equal to the then-current market value of one share of the Trust's common stock or, at the Trust's option, one share of the Trust's common stock, commencing 12 months following the completion of this exchange. The Operating Partnership did not receive any proceeds from the exchange. The Operating Partnership only received membership interests in Fairfield. The issuance of the Common Units was exempt from registration pursuant to the exemption provided by Rule 506 of Regulation D under the Securities Act of 1933, as amended.

(b) Not applicable.

(c) Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

| Exhibit | |
|---|---|
| 3.1 | Articles of Amendment and Restatement of Registrant (1) |
| 3.2 | Amended and Restated Bylaws of Registrant (2) |
| 4.1 | Form of Certificate of Common Stock of Registrant (2) |
| 4.2 | Form of Certificate of Series B Convertible Preferred Stock of Registrant (3) |
| 4.3 | Form of Warrant Certificate of Registrant (3) |
| 4.4 | Form of Warrant Agreement for December 2013/January 2014 Private Placement Offering (4) |
| 10.1 | Form of Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. (2) |
| 10.2 | Wheeler Real Estate Investment Trust, Inc. 2012 Stock Incentive Plan (2) |
| 10.3 | Employment Agreement with Jon S. Wheeler (2) |
| 10.4 | Employment Agreement with Steven M. Belote (2) |
| 10.5 | Employment Agreement with Robin A. Hanisch (2) |
| 10.6 | Administrative Services Agreement by and between Wheeler Real Estate Investment Trust, Inc. and WHLR Management, LLC (2) |
| 10.7 | Subordination Agreement (2) |
| 10.8 | Warrant Agreement by and among the Registrant, Computershare, Inc. and Computershare Trust Company, N.A. (1) |
| 31.1 | Certification of the Chief Executive Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5) |
| 31.2 | Certification of the Chief Financial Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5) |
| 32.1 | Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5) |
| 101.INS | XBRL Instance Document (5) |
| 101.SCH | XBRL Taxonomy Extension Schema Document (5) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (5) |

101.LAB XBRL Taxonomy Extension Label Linkbase Document (5)

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document (5)

101.DEF XBRL Taxonomy Extension Definition Linkbase Document (5)

(1) Incorporated by reference to the Registrant’s report on Form 8-K, File No. 001-35713 filed on April 29, 2014.
(2) Filed as an exhibit to the Registrant’s Registration Statement on Form S-11 (Registration No. 333-177262) previously filed pursuant to the Securities Act of 1933 and hereby incorporated by reference.
(3) Filed as an exhibit to the Registrant’s Registration Statement on Form S-11 (Registration No. 333-194831) previously filed pursuant to the Securities Act of 1933 and hereby incorporated by reference.
(4) Incorporated by reference to the Registrant's report on Form 8-K, File No. 001-35713 filed on December 18, 2013.
(5) Filed Herewith.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHEELER REAL ESTATE INVESTMENT TRUST, INC.

By: /s/ STEVEN M. BELOTE
Steven M. Belote
Chief Financial Officer

Date: August 14, 2014